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C O N F I D E N T I A L SECTION 01 OF 02 CAIRO 008134

SIPDIS

NSC STAFF FOR POUNDS

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SUBJECT: VISIT TO EGYPT OF TREASURY ACTING A/S FOR
TERRORIST FINANCE AND FINANCIAL CRIME DANIEL GLASER

Classified by Economic and Political Counselor John Desrocher
for reasons 1.4 (b) and (d).

Summary

11. (C) Treasury Acting Assistant Secretary for Terrorist Financing and Financial Crimes Daniel Glaser met on October 1 with officials of the Egyptian Ministries of Social Affairs (MSA), Finance (MOF), Justice and the Central Bank of Egypt (CBE). At MSA, officials reviewed the Egyptian law regulating charities, which are considered NGOs, and responded to questions about possible connections between charities in Egypt and the Palestinian territories. At MOF, officials reviewed Customs regulations for cash currency import/export and the means by which funds are transferred into and out of Egypt. At CBE, officials in the Money Laundering Combating Unit (MLCU) explained the process for handling Suspicious Transactions Reports (STRs), reviewed procedures for monitoring charity finances and discussed assistance to the Palestinian Central Bank's Financial Intelligence Unit (FIU). MLCU officials also discussed the GOE's procedures for handling information from the UN's 1267 Committee. End summary.

Ministry of Social Affairs

12. (C) Ambassador Ahmed Abulkheir, Advisor to the Minister of Social Affairs, claimed that no Egyptian charities were linked to terrorism and no terrorist financing was carried out through charities in Egypt. Under Egyptian law all charities were considered NGOs. The NGO law required that: 1) all NGOs register with MSA and obtain a registry number; 2) all NGOs specify their objectives, which MSA reviewed to ensure that all funds received and spent were in line with the NGOs' stated objectives; 3) NGOs refrain from sending money aboard, unless MSA granted permission to do so, as it often did for the Red Crescent. NGOs that transferred funds out of Egypt without MSA permission would, in theory, be dissolved. In practice, however, no NGO had ever been dissolved. Abulkheir noted that Egypt was often criticized for its restrictive NGO law, but he contended that Egypt's security situation required restrictive measures. Despite these restrictions, Abulkheir admitted that a branch of the International Islamic Relief Organization (IIRO) was thought to be illegally operating in Egypt.

13. (C) Glaser asked about possible connections between charities in Egypt and groups in the Palestinian territories. He noted that in a recent meeting in Saudi Arabia, the USG raised the issue of a Saudi TV station airing ads soliciting donations for families of Palestinian "martyrs." The Saudis explained that the broadcasts came from Egypt and Italy. Abulkheir referred Glaser to the Ministry of Information, but suggested that these stations were broadcast via satellite and not from Egypt. He added that all funds going to Palestine from Egypt went through MSA and the Red Crescent and stressed that charity funds were urgently needed in the Palestinian territories. Glaser responded that the USG encouraged charitable giving, including through Muslim charities. However, if a charity devoted even 1% of its funds to terrorism, it must be shut down. Glaser also mentioned that Egypt was co-author of a Charities Working Paper adopted by the MENAFATF at its September 2005 plenary and encouraged MSA to implement the paper's recommendations.

Ministry of Finance

14. (C) MOF First Undersecretary Momtaz El Said told Glaser that MOF supervised currency imported/exported to Egypt. MOF recently issued a decree requiring disclosure of domestic or foreign currency over LE 10,000 carried in and out of the country) a reduction from the previous LE 20,000. El Said insisted that most cash transfers into and out of Egypt went through the "formal" banking system, and only a small proportion went through "informal" means, despite large communities of Egyptian workers living abroad. Glaser noted that the U.S. now required money transfer organizations to

register with the USG. El Said replied that the Ministry of Interior and the Customs Authority had established a joint committee to investigate suspicious imports/exports of cash currency, which were also reported to CBE's MLCU. El Said also claimed that no weapons were crossing Egypt's borders illegally, asking Glaser not to "be influenced by the stories you hear." Such transfers would be an issue of national security and would not be permitted.

Central Bank of Egypt

15. (C) At the MLCU, Executive Director Samir El Shahed noted that Egypt's economy was still cash-based, so monitoring all financial transactions was not easy. CBE was studying what could be done to move Egypt's economy to a non-cash basis. CBE did regular audits of all banks in Egypt and shared the information with MLCU. Banks were broken down into high, medium and low risk levels for money laundering operation and terrorist financing, based on volume of transactions. Since its inception in 2002, the MLCU had received over 1,000 STRs. Three money laundering cases had been prosecuted successfully, and 5-6 other potential cases were pending in the prosecutor's office. Egyptian law also required prosecution of predicate crimes related to the money laundering cases.

16. (C) On the issue of charity financing, El Shahed pointed out that in addition to the provisions of the NGO law mentioned above, the law also specified that: 1) all NGOs operate for one year on a trial basis; 2) penalties be implemented for non-compliance with the law; 3) NGO funds be placed in a bank account, so transactions could be monitored. No STRs on charities, such as the IIRO, had been received. The MLCU did not handle issues related to funding of the Muslim Brotherhood (MB), as all MB issues were handled by other GOE agencies. Deputy Minister of Justice Serry Seyam noted that President Mubarak had made a campaign promise to replace the Emergency Law with an anti-terrorism law. The GOE had also established a committee to write a terrorist financing law, and the MLCU was playing a prominent role on the committee. El Shahed pointed out that it would be helpful if FinCEN, as the leading international FIU, developed a list of terrorist finance indicators, which would assist other FIUs in identifying terrorist financing.

17. (C) Glaser noted that the USG was concerned about getting the Palestinian FIU up and running, and asked if Egypt could help. Treasury was considering putting a person in the U.S. Embassy in Amman to work on this. El Shahed replied that the MLCU had already met with Palestinian Central Bank officials to assist them in operationalizing their FIU, which had already received some STRs. Shahed agreed to send information on this meeting to the embassy. He also noted that MLCU was working with the Egyptian Banking Institute, the UN and the World Bank to develop a money laundering training certificate that would be offered on a regional basis.

18. (C) Glaser thanked El Shahed for the submission of 22 names to the UN 1267 Sanctions Committee. Egypt's submission affirmed the UN 1267 process. Glaser inquired about the process of freezing assets in Egypt. El Shahed responded that MLCU had the authority to freeze assets, but a public prosecutor's order was required. The Ministry of Foreign Affairs monitored the UN 1267 list and reported names on the list to CBE. CBE then sent a letter to all Egyptian banks requiring them to freeze any assets immediately. El Shahed claimed that no assets of entities on the 1267 list had been frozen in Egypt. He was not sure if CBE had frozen the accounts of the 22 names the GOE sent to the UN 1267 Committee. Glaser asked that the MLCU encourage banks to report to CBE on any frozen assets and that CBE in turn share this information with the USG. Glaser also suggested a meeting to follow up on USG/GOE issues. El Shahed agreed and suggested sometime after the upcoming MENA-FATF meeting in Cairo in March 2006.

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